

## **REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. ON THE PROPOSED RE-ELECTION, AND NOMINATION OF MEMBERS OF THE BOARD OF DIRECTORS**

### **1. PURPOSE OF THE REPORT**

The Board of Directors of ENCE ENERGÍA Y CELULOSA, S.A. (the “**Company**”) has prepared this report in order to comply with Article 529 *decies* (Clause 5) of the Capital Companies Act, under which the proposed re-election and nomination of Directors must be supported in all cases by an explanatory report from the Board evaluating the skills, experience and merits of the proposed candidate. It is foreseen that this proposed re-election will be subject to the approval of the Company's General Shareholders' Meeting convened for the 28 and 29 March 2019, in first call and second call respectively, under item 5 of the agenda.

Prior to this report, the Appointments and Remuneration Committee issued in its meeting of the same day, the statutory report proposing the nomination or re-election of Independent Directors and indicating the Non-Independent Directors whose re-election the Board will propose (the “**Report**”).

This report also complies with Article 518.e of the Capital Companies Act covering the general information the company must publish when convening a General Shareholders' Meeting. In the event of the nomination or re-election of members of the Board of Directors, that information must include the identity of each member, their CV and the category to which they belong, in addition to the proposal and reports referred to in Article 529 *decies* (Clauses 6 and 7).

### **2. JUSTIFICATION OF THE PROPOSAL**

#### **2.1 Re-election of Ms. Isabel Tocino Biscarolasaga as an Independent Director at the proposal of the Appointments and Remuneration Committee.**

The Appointments and Remuneration Committee has submitted the proposal to the Board of Directors for submission to the General Shareholders' Meeting for the re-election of Ms. Isabel Tocino Biscarolasaga as an Independent Director of the Company.

Ms. Tocino Biscarolasaga holds a doctorate in Law and is a professor at the Complutense University, as well as being a member of the Academy of Doctors, an advisor to Enagás, Vice-Chairman of the Santander Spain Board of Directors and chairperson of Banco Pastor. She has been a Minister for the Environment and participated actively in negotiating the Kyoto Protocol, and promoted various legislative initiatives on waste, water and hydrological resources and national parks. His curriculum vitae is attached as Appendix I to this report.

Based on her personal and professional assets, the Board of Directors believes that Ms. Tocino Biscarolasaga possesses the necessary skills, experience and merits to justify the acceptance of the recommendation of the Appointments and Remuneration Committee that her re-election as an Independent Director for the statutory period of three years be proposed to the Company's General Shareholders' Meeting. Thus, the Board endorses the considerations made by the Appointments and Remuneration Committee in the Report.

## 2.2 Re-election of Mr. Fernando Abril-Martorell Hernández as another External Director

Following a favourable report from the Appointments and Remuneration Committee, the Board of Directors proposes the re-election of Mr. Fernando Abril-Martorell Hernández as another External Director of the Company.

Mr. Abril-Martorell Hernández holds a degree in Law and Business Administration from the Universidad Pontificia de Comillas. He has held various senior positions at JP Morgan, Telefónica Group, Credit Suisse Group, Prisa Group and Telefónica and is currently CEO of Indra and director of Marketplaces International (MPI). For the purposes of completing this information, the curriculum vitae of Mr Abril-Martorell Hernández is attached to this report as Appendix II.

Mr. Abril-Martorell Hernández has been a member of the Board of Directors of the Company since 2007, accumulating since then an experience that the Board of Directors considers very valuable and that, together with his professional career, justifies proposing to the Board his re-election as another External Director for the statutory period of three years. Thus, the Board endorses the considerations made by the Appointments and Remuneration Committee in the Report

## 2.3 Re-election of Mr. José Guillermo Zubía Guinea as another External Director

Subject to a favourable report by the Appointments and Remuneration Committee, the Board of Directors proposes the re-election of Mr. José Guillermo Zubía Guinea as another External Director.

Mr. Zubía Guinea has a Law degree from the Complutense University of Madrid. He also studied Economics at the Complutense University and Taxation at the Centre for Economic and Tax Studies. He has been an owner, consultant and advisor of several public and private companies since 1979. He has also been a member of the Permanent Commission at the Andalusian School of Economics, as well as of the Economic and Social Council of Spain and its Economic and Labour Relations Commissions. His curriculum vitae is attached as Appendix III to this report.

Based on his personal and professional assets, the Board of Directors considers that Mr. Zubía Guinea possesses the necessary skills, experience and merit. Therefore, the Board proposes to the General Shareholders' Meeting that he be re-elected as External Director for the statutory period of three years. Thus, the Board endorses the considerations made by the Appointments and Remuneration Committee in the Report.

As indicated in the aforementioned Report, The Board of Directors proposes the re-election of Mr. Zubía Guinea as another External Director, given that he has held the position of Independent Director for a continuous period of 12 years.

## 2.4 Nomination of Independent Directors

In order to fill the vacancies of the Directors Mr. Pedro Barato and Mr. Luis Lada that will occur at the ordinary Shareholder's General Meeting for the reasons explained in the Report, and given the Company's commitment to the objective established in the Directors' Selection Policy, which consists of ensuring that, by 2020, the number of female directors represents at least 30% of the total number of board members, the Appointments and Remuneration Committee has proposed the incorporation of two new independent female directors.

To this end, the Committee has carried out a selection process with the advice of an external consultant of recognised prestige and with the participation of the other members of the board. In the implementation of this process and after an analysis of the profiles that could complement and reinforce the existing ones, the Board has defined the requirements that must be taken into account for the selection. As a result of this analysis, it has been considered appropriate to propose the nomination of two female directors who respond to two different profiles necessary for the Board: one preferably of an industrial nature and the other of a more financial nature.

#### 2.4.1. Nomination of Ms. Amaia Gorostiza Tellería as an Independent Director at the proposal of the Appointments and Remuneration Committee.

With the involvement in the process of an external consultant, the Appointments and Remuneration Committee has forwarded to the Board of Directors for submission to the General Shareholders' Meeting the proposed nomination of Ms. Amaia Gorostiza Tellería as an Independent Director of the Company.

Ms. Amaia Gorostiza Tellería (whose *curriculum vitae* is attached as Appendix IV) has studied Business Studies at the Institute of Business Studies of the Basque Country University. She began her professional career in her family business Industrias Amaia Tellería, where she worked in different departments acquiring global knowledge of the company. She held the position of Chief Financial and Administrative Officer and member of the Board of Directors until the sale of the company. She has held the position of Auditor on the Board of APD-Norte and she has been a member of the Finance Committee of Elkargi (mutual guarantee society).

She is currently an Independent Director, a member of the Audit Committee and a member of Dominion's CSR Committee, an Independent Director of IMQ and Chairman of the Board of Sociedad Deportiva EIBAR.

Based on her personal and professional assets, the Board of Directors considers that Ms, Amaia Gorostiza Tellería possesses the necessary skills, experience and merits to justify acceptance of the recommendation of the Appointments and Remuneration Committee that her nomination be proposed to the Company's General Shareholders' Meeting as an Independent Director for the statutory period of three years. Thus, the Board endorses the considerations made by the Appointments and Remuneration Committee in the Report.

#### 2.4.2. Nomination of Ms. Irene Hernández Álvarez as an Independent Director at the proposal of the Appointments and Remuneration Committee.

With the involvement in the process of an external consultant, the Appointments and Remuneration Committee has forwarded to the Board of Directors for submission to the General Shareholders' Meeting the proposed nomination of Ms. Irene Hernández Álvarez as an Independent Director of the Company.

Ms. Irene Hernández Álvarez (whose *curriculum vitae* is attached as Appendix V) has a degree in Economic and Business Sciences from ICADE, with a National Award for Excellence in Academic Performance. She began her professional career at JP Morgan in Madrid and New York, where she was responsible for major fixed income and equity operations in national and international markets. She has developed an outstanding career in financial advisory services for family businesses and investors of all types. She is a founding partner of Impulsa Capital, a company dedicated to corporate financial advice, and a Registered Advisor to MAB. Her experience and training make her knowledgeable in corporate governance best practises and she has extensive experience in venture

capital companies. He has advised several Boards of family-owned businesses.

She is currently an Independent Director of Saint Croix Holding Immobilier SOCIMI, S.A. and an Independent Director of Elecnor, S.A.

Based on her personal and professional assets, the Board of Directors considers that Ms, Irene Hernández Álvarez possesses the necessary skills, experience and merits to justify acceptance of the recommendation of the Appointments and Remuneration Committee that her nomination be proposed to the Company's General Shareholders' Meeting as an Independent Director for the statutory period of three years. Thus, the Board endorses the considerations made by the Appointments and Remuneration Committee in the Report.

### **3. AGREED PROPOSALS**

The complete text of the agreed proposals on the re-election of Directors, which will be subject to separate votes at the General Shareholders' Meeting, follows below:

**FIFTH A.- RE-ELECTION OF MS. ISABEL TOCINO BISCAROLASAGA, AS AN INDEPENDENT DIRECTOR.**

*To re-elect, at the proposal of the Appointments and Remuneration Committee, as a member of the Company's Board of Directors, Ms. Isabel Tocino Biscarolasaga, in the capacity of Independent Director for the statutory period of three years from the approval of this resolution.*

**FIFTH B.- RE-ELECTION OF MR. FERNANDO APRIL-MARTORELL HERNÁNDEZ AS ANOTHER EXTERNAL DIRECTOR.**

*To re-elect, at the proposal of the Board of Directors, as a member of the Company's Board of Directors, Mr. Fernando Abril-Martorell Hernández, in the capacity of another external Director for the statutory period of three years from the approval of this resolution.*

**FIFTH C.- RE-ELECTION OF MR. JOSÉ GUILLERMO ZUBÍA GUINEA AS ANOTHER EXTERNAL DIRECTOR.**

*To re-elect, at the proposal of the Board of Directors, as a member of the Company's Board of Directors, Mr. José Guillermo Zubía Guinea, in the capacity of another external Director for the statutory period of three years from the approval of this resolution.*

**FIFTH D.- NOMINATION OF MS. AMAIA GOROSTIZA TELLERÍA AS AN INDEPENDENT DIRECTOR.**

*To nominate, at the proposal of the Appointments and Remuneration Committee, as a member of the Company's Board of Directors, Ms. Amaia Gorostiza Tellería, in the capacity of Independent Director for the statutory period of three years from the approval of this resolution.*

**FIFTH E.- NOMINATION OF MS. IRENE HERNÁNDEZ ÁLVAREZ AS AN INDEPENDENT DIRECTOR.**

*To nominate, at the proposal of the Appointments and Remuneration Committee, as a member of the Company's Board of Directors, Ms. Irene Hernández Álvarez, in the capacity of Independent Director for the statutory period of three years from the approval of this resolution.*

### **Appendix I**

#### ***Curriculum vitae of Ms. Isabel Tocino Biscarolasaga***

Ms. Isabel Tocino Biscarolasaga, Doctor in Law and professor at the Complutense University, has taken top management programmes at IESE and Harvard Business School.

She has been Minister for the Environment, deputy and chairperson of the Foreign Affairs Committee and the European Affairs Committee at the Congress of Deputies, chairperson for Spain and Portugal and Vice-Chairman for Siebel Systems Europe.

As Minister for the Environment, she participated actively in negotiating the Kyoto Protocol and promoted various legislative initiatives on waste, water and hydrological resources and national parks. She previously worked at the Nuclear Energy Board (today CIEMAT) and was part of the OECD European Energy Agency's Governmental Legal Experts' Group and today is a member of the International Society of Nuclear Law and the Spanish Nuclear Society (SNE).

She is currently an advisor to ENAGÁS, S.A., Vice-Chairman of the Santander Spain Board of Directors and chairperson of Banco Pastor.

She holds the Great Cross of Knighthood of the Royal Order of Charles III and of the Cross of San Raimundo de Peñafort.

## **Appendix II**

### ***Curriculum vitae of Mr. Fernando Abril-Martorell Hernández***

Fernando Abril-Martorell Hernández holds a degree in Law and Business Administration from the Universidad Pontificia de Comillas.

He has developed his activity in various companies and financial entities. Between 2005 and 2011, he was CEO of Credit Suisse in Spain and Portugal. He was Chief Executive Officer of the Telefónica Group from 2000 to 2003 and previously Chief Financial Officer from 1997 to 2000. He began his career at JP Morgan where he spent 10 years between 1987 and 1997 in the Madrid, New York and London offices. Between 2011 and 2014, he was Managing Director of Grupo Prisa.

Currently, he holds the position of Executive Chairman of Indra and director of Marketplaces International (MPI).

### **Appendix III**

#### ***Curriculum vitae of Mr. José Guillermo Zubía Guinea***

Mr. José Guillermo Zubía Guinea has a Law degree from the Complutense University of Madrid. He studied Economics at this University and Taxation at the Centre for Economic and Tax Studies.

He has been an owner, consultant and advisor of several companies. He was secretary general of the Alavés Business Union (SEA) from 1979 to 1995. He was secretary general of the Confederation of Basque Entrepreneurs (Confebask) from October 1995 to March 2011.

He has been a member of the Board of Directors and Governing Bodies of the main Socio-Economic Institutions of the Basque Country: among others the Society for Promotion and Industrial Reconversion, the Economic and Social Councils and Labour Relations. He has been a member of the Economic and Social Council of Spain and its Economic and Labor Relations Commissions.

He has also been a member of the Permanent Commission of the Andalusian School of Economics and has participated in various courses and conferences at the Menéndez Pelayo International University, the summer courses at El Escorial and the summer university at the Basque Country University.

#### **Appendix IV**

##### ***Curriculum vitae of Ms. Amaia Gorostiza Tellería***

Ms. Amaia Gorostiza Tellería has studied Business Studies at the Institute of Business Studies of the Basque Country University.

She began her professional career in her family business Industrias Amaia Tellería, where she worked in different departments and acquired deep global knowledge of the business. Her professional development focused on the financial field, becoming Chief Financial and Administrative Officer and later a member of the Board of Directors. Also, in the financial field, she has been an Auditor of the APD-Norte's Board and a member of the Finance Committee of Elkargi (mutual guarantee society).

Currently, she is a founding partner and Chairman of Geo Management, a company dedicated to business and investment advice, and Geo Ingerobotica, dedicated to engineering services and industrial automation.

She is currently an Independent Director, a member of the Audit Committee and a member of Dominion's CSR Committee dedicated to technology and innovation solutions, an Independent Director of IMQ, dedicated to health services, and Chairman of the Board of Sociedad Deportiva EIBAR.



## **Appendix V**

### ***Curriculum vitae of Ms. Irene Hernandez Alvarez***

Ms. Irene Hernández Álvarez has a degree in Economics and Business Administration from ICADE. She received a National Award For Excellence in Academic Performance, the Second National Economy Award and the VI Carlos Cubillo Valverde Award in 1988.

She began her professional career at JP Morgan in Madrid and New York, between 1988 and 2001, where she was responsible for major fixed income and equity operations in national and international markets. She has developed an outstanding career in financial advisory services for family and investors businesses of all types. She is a founding partner of Impulsa Capital, a company dedicated to providing corporate financial advice to mid-sized companies and private equity or venture capital funds, interested in financing alternatives, investment, divestment or restructuring, while also being a Registered Advisor to MAB. She has extensive experience in venture capital businesses and she has advised several Boards of Directors of family-owned companies.

She is currently an Independent Director of Saint Croix Holding Immobilier SOCIMI, S.A. and an Independent Director of Elecnor, S.A.